



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

February 9, 1984

**SUBJECT:** Monitoring, Servicing and Supervision of FmHA Farm  
Borrowers Who Receive an FmHA Subordination for Other Credit

**TO:** All State Directors, Farmer Programs Chiefs,  
District Directors and County Supervisors

This AN updates and replaces AN No. 847 (1962) which expired  
December 31, 1983.

The proper supervision and servicing of Farmers Home Administration (FmHA) borrowers who have received a subordination continues to be a major concern to me. Adequate time must be allotted by the State, District and County staffs to properly monitor, service and supervise FmHA borrowers who received their 1984 annual production loans from other lenders through an FmHA subordination. This subordination policy was reemphasized in FmHA AN No. 606 (1962), dated November 2, 1981, which was extended by AN No. 756 (1960), dated October 8, 1982, and AN No. 911 (1962) dated October 3, 1983, all of which are in accordance with FmHA Instruction 1962-A, section 1962.30.

Accordingly, State Directors are directed to take immediate action which will assure that District Directors and County Supervisors are adequately monitoring, servicing and supervising all borrowers who have received an FmHA subordination in order to obtain other credit for operating purposes. FmHA borrowers are expected to carry out planned farming activities, maintain suitable records, properly account for all security property and repay their debts. To assure that these objectives are accomplished, the following actions will be taken:

1. County offices will establish and maintain a list of borrowers who received an FmHA subordination for operating expenses. The list will show the amount of the subordination, to whom it was given, field visits planned and made, and what follow-up action, if any, will be taken by the County Supervisor.

2. The County Supervisor or designee should make at least one postplanting and one preharvest visit to: (a) determine that crops were planted and are being properly cared for by the borrower; (b) to discuss the financial condition of the borrower, and (c) to observe the operation for compliance with the farm plan. Any changes in the borrower's financial condition and/or farming operation that could adversely affect the interest of the Government must be acted upon promptly to avoid losses. Any cases in which court action is recommended to effect collection or to enforce the right of FmHA, will be handled in accordance with section 1962.49(c) of FmHA Instruction 1962-A.

**EXPIRATION DATE:** September 30, 1984      **FILING INSTRUCTIONS:** Preceding  
FmHA Instruction 1962-A



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3. District Directors will continuously monitor the supervisory activities of each case and provide guidance to County Supervisors in servicing the accounts. County Supervisors will promptly notify District Directors of special problem cases.

4. Lenders will be reminded, in writing, that borrower's debts owed to them from prior loans or for loans made subsequent to the FmHA subordination will not be paid with the proceeds from the sale of subordinated FmHA security without the approval of the County Supervisor.

5. County Supervisors should remind lenders to stamp the original Form FmHA 460-2, "Subordination by the Government," "Paid-in-Full" and return the form to FmHA when the loan(s) for which the subordination was given is paid in full.

Similar attention, as appropriate, must also be given to those borrowers who have received real estate loans through subordination to other lenders.

State Directors, Farmer Programs Chiefs, District Directors, and County Supervisors must work closely together in implementing these policies to assure uniformity within each State.



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Administrator